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FOREIGN AGRICULTURE



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Japan Acts To Cut Back

And Market Rice Surplus

U.S. Poultry Exports Stir Demand

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This week's cover:

French women prepare poultry for market. Two stories in this issue deal with poultry. One, beginning on page 5, shows how imports of U.S. poultry can broaden consumption in foreign countries so that local producers as well as U.S. producers benefit. The other, beginning on page 6, discusses the heavy world output and stocks that are sharpening trade competition. (Photos from French Ministry of Agriculture.)

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By JOSEPH R. BARSE
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For 4 years in succession, 1967-70, Japan has produced and stockpiled surplus rice. Keeping these excess stocks has become so burdensome that Japan is now undertaking major surplus disposal programs, the effect of which is to release Japanese rice in direct competition with American food and feed grains in Asian markets.

How severe is this new competition? How long will it be likely to continue? Can Japan prevent the production of future rice surpluses; and if so, when can it withdraw from surplus disposal operations? U.S. farmers and businessmen who supply grain for the export market have a vital stake in answers to these questions.

Competition from Japanese rice began in 1969, when Japan made export agreements to supply Korea, Indonesia, Pakistan, and Okinawa with a total of 422,000 tons of rice on concessional terms. (Rice figures are brown basis and metric tons throughout.)

In 1970, competition intensified as Japan agreed to export a further total of 1.2 million tons to less developed countries as grants or on deferred-payment terms. During 1971, Japan has continued making export agreements, although they will probably not total as much as in 1970. Through July 1971, these 1971 agreements totaled 448,000 tons.

Furthermore, the Japanese Government initiated a program last autumn to sell old-crop rice to Japan's formula feed industry for cattle, hog, and poultry rations. Present rates of rice usage for feed—about 120,000 tons per month—strongly suggest that the 1971 disposal target of 1.4 million tons for feed



Heavy Surpluses of Rice

will be met. Rice sold for feed must be crushed, denatured, or otherwise rendered unfit for human food before delivery to manufacturers.

According to Japanese Food Agency plans of March 1971, Japan will release about 2 million tons of the current stockpile of surplus rice in each of the Japanese fiscal years 1971, 1972, and 1973 (1.4 million for feed, 400,000 for export, and 200,000 for industry), plus 500,000 tons for feed in JFY 1974. Total disposal in this manner would account for almost all the March 1, 1971, Government-owned surplus of 6.7 million tons, which was reduced to about 6.6 million by April 1, the start of the Japanese fiscal year 1971.

Rice disposal prices will continue to be fully competitive in commercial feed markets in Japan and concessional markets abroad. However, disposal pricing is heavily subsidized, since the Government bought the rice from farmers at prices about double those on the world market and five times those of commercial feedgrain imports in Japan. Japanese rice used for feed is clearly replacing feedgrains that U.S. farmers might well have supplied.

For the long run, though, Japan's Government views surplus disposal programs as only temporary measures, since action is underway to deal with the rice

surplus problem permanently, through production control. (See "Changed Rice Policies Could Transform Japan's Farming," *Foreign Agriculture*, Feb. 9, 1970.) An acreage diversion program, designed to convert land from rice to other uses, began in 1969, gathered momentum in 1970, and is finally moving at high speed this year.

In the meantime, however, 2 million tons of rice above normal domestic needs was being produced in 1969 and 950,000 tons in 1970, despite the ongoing diversion program. The 1970 diversion, which had as its target a 7-percent reduction in planted acreage, actually achieved a reduction of 11 percent, from 8.1 million acres to 7.2 million. Thus, this program can be credited with an actual 9-percent decrease in rice production, from 14 million tons in 1969 to 12.7 million in 1970. Nevertheless, even this lower output was still nearly a million tons above estimated demand.

Early this year, in response to the continued surplus production of 1970, the Government reacted quickly and vigorously by calling for even more acreage diversion and further output reduction in 1971 and the years following. At a meeting of the Japanese Cabinet on February 5, 1971, a new basic rice policy was adopted for 1971-75. Its goals are to bring Japan's rice supply and demand into balance by diverting acreage and thus restraining production, and to terminate the current surplus disposal in 1974. By then, if Ministry of Agriculture projections are borne out, existing excess stocks will be exhausted.

The Ministry estimated 1971 normal domestic rice demand at 11.65 million tons, with 1972 demand to be lower still. Thus the 1971 rice acreage target was set at about 6.8 million acres, and the output target at 11.7 million tons. Both targets represent reductions of 16 percent from 1969.

These target levels are in accord with the principle laid down by the Japanese Cabinet at the February 5 meeting. As stated in "Rice Production Adjustment and the Shift Out of Rice Cropping,"

Shokuryo Kanri Geppo, April 1971, this principle is: "The target amount for production adjustment will be fixed each year so that no new surplus rice will be produced."

The Cabinet action came not long after, and in support of, a revised long-run plan for Japan's agriculture in 1977, published by the Ministry in December 1970 under the translated title *Tentative Regional Guideposts for Agricultural Production*. A precursor of the 1977 plan, published in November 1968, had set Japan's 1977 rice production target at 12.4 million tons, to match the projection for total 1977 domestic consumption, also set at 12.4 million tons.

But rice consumption, already trending down as Japanese consumers sought to diversify their diets, declined more sharply in the late 1960's than previously forecast. Actual total consumption for 1969 was found to be only 12 million tons, already well below the previously projected level for 1977 and still headed downward according to revised projections. Therefore, when the Ministry revealed its new vision of Japan's 1977 farming in December 1970, total 1977 rice consumption was estimated at about 11.1 million tons, and the production target was set at 11.1 million tons to match.

In the new 1977 plan, the 1977 rice production target was accompanied by a planted-area target of less than 5.8 million acres for the same year. The acreage target represents a planned 29-percent decrease from 1969. The production target, however, represents only a 21-percent planned decrease, since yields are projected to rise from the actual 1.73 tons per acre in 1969 to an estimated 1.92 tons in 1977.

In addition to the targets for rice, the *Guidepost* contained official 1977 targets for all other major Japanese crops. The acreage targets for soybeans, peanuts, other pulses, vegetables, fruits, mulberry trees, harvested forage crops, and pasture each show a hoped-for increase over the actual planted area of 1969. In total, all these planned increases are about

270,000 acres more than the planned decrease in rice acreage from 1969 to 1977. Thus, comprehensively and in great detail by geographical region, the Japanese Government has pointed the way for its farmers to a substantial shift out of rice.

For Japan's 1971 rice production adjustment program, the output target was selected first. Then the planted-area target was chosen and allocated among Japan's 46 Prefectures by the central Government. This area target was suballocated within Prefectures by successive officials, through districts and local agricultural cooperatives, to specific farm households.

These targets are not legally binding upon individual farmers. Nevertheless, there are strong social and economic pressures to comply. Farmers have not, however, been enthusiastic about reducing their output and marketings of rice—the most familiar, least risky, and up to now, most profitable crop for the great majority.

The profitability derives from the high "support" prices for rice which farmers have been receiving. Prices for rice purchased by the Government Food Agency were about \$380 per ton during 1968-70. However, the Agency has announced that it will purchase no more than 5.8 million tons from the 1971 crop, in contrast to its purchases of 10.1 million, 8.7 million, and 6.8 million tons from the crops of 1968 through 1970. After the

1971 crop is in, Agency representatives will accept a farmer's application to sell his rice at the high official price, but only in accordance with the Agency's 5.8-million-ton quota, and only after reviewing that farmer's compliance or noncompliance with the acreage reduction target he was given.

The Agency's purchasing quota could spur a farmer to comply with his reduction target if he believes his rice will not be of high enough quality to be sold either through the new officially authorized "independent market" channels or on the older "black market." "Black market" channels, which have been absorbing somewhat less than a million tons of rice annually, are those not authorized by wartime food control laws which are still in effect. However, such marketing is officially tolerated.

Farmers who have very high-quality rice for sale can receive a substantial premium over the Agency's official price by selling through black or independent channels, although the farmers located farthest from big cities are at a disadvantage in marketing even if their rice is of top quality.

The Agency, through financial devices, partially subsidizes the independent-market wholesale network and even has set an approximate maximum of 1.8 million tons for farmers' sales through this network. However, the Agency neither acquires, stores, nor incurs a merchandising loss on independently mar-

keted rice, as it does on rice it buys from farmers at the guaranteed price. Thus, unless a farmer is quite confident of the premium quality of his rice and of his ability to sell all he can produce, he has a strong incentive to cooperate with the acreage reduction program.

Moreover, by diverting rice acreage to fallow or other crops, he receives an incentive payment from the Government under the 1971 program. Unlike payments in the 1970 program, which had the same rate whether land was fallowed or planted to other crops, the 1971 payment rates are differentiated. Rates are lowest for merely idling land, higher for diverting land into annual crops other than rice, and highest for converting riceland to permanent crops, such as fruit trees or grapes, or to nonfarm uses.

Payments are not made in direct relation to area withdrawn from rice. Rather, they are calculated primarily according to the amount of rice production foregone from the specific plots taken out of rice. Previous local records of average yields are used to make this calculation.

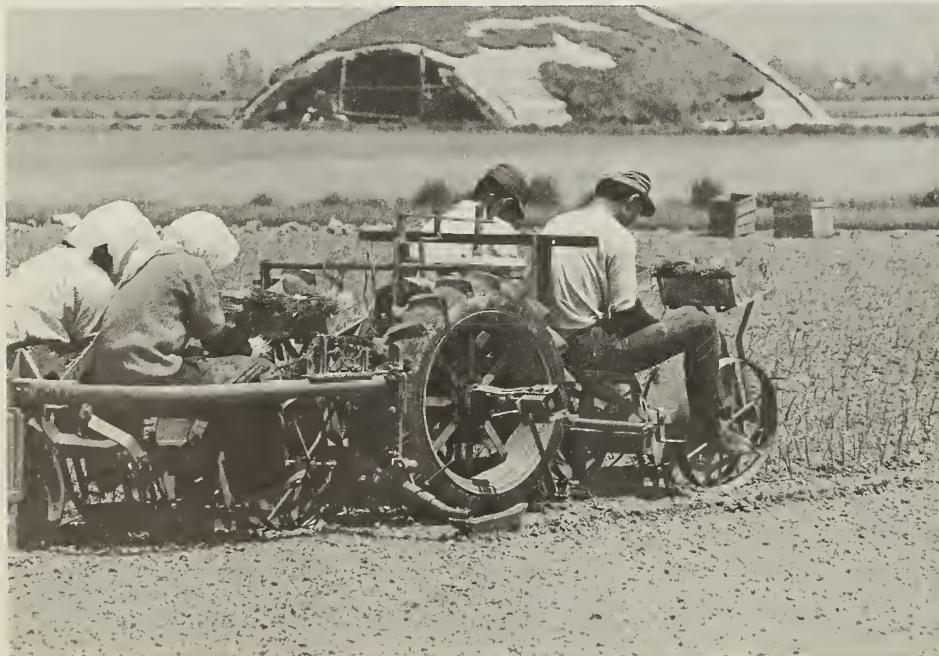
If plots withdrawn are being planted to alternative crops, a lump payment per quarter-acre is added to the payment for output foregone, to make alternative use more attractive than idling. This payment is twice as large for permanent as for annual crops, although at least 5 hectares (12.35 acres) must be diverted to permanent use to be eligible.

Only those persons actually engaging in rice farming as of August 1 are eligible (with a few exceptions) to receive payments for diversion of riceland. Most farmers do not have the option of leaving agriculture entirely, getting city jobs, and collecting a payment for idling their whole rice farms. But combinations of part-time farming, partial rice acreage diversion with payment, and part-time work in town are permitted. Part-time farming has been common for many years.

The 1971 payment rate of 68 yen per kilogram of rice foregone (about \$189 per ton) is a reasonably attractive rate for farmers who have remunerative uses for the 260 man-hours of their own labor released by diverting, say, one-half acre of riceland. Nevertheless, farmers who are obtaining rice yields per acre well above the national average would be better off by not diverting, if no off-farm jobs were available for them.

Also, problems of marketing perishable produce and risks of sharp seasonal

Onion transplanting on former rice land.



or year-to-year price fluctuations could easily deter many farmers from selecting high-labor alternative crops such as fruits and vegetables.

In 1970, Japan diverted more than 834,000 acres of riceland to other crops or uses. This represented about 6 percent of total 1970 arable land area. Of the acreage diverted, almost two-thirds (nearly 550,000 acres) was fallowed, but diversion to land improvement construction (about 102,000 acres) may also be thought of as a form of fallowing. Together, these two kinds of land idling account for 78 percent of the diverted acreage.

Assuming that diversion payments continue, there is only a small chance that most land diverted to simple fallow will be returned to rice production in future years.

However, much of the acreage that is being diverted to land improvement projects will probably be returned to rice when the construction is completed. These projects improve irrigation or drainage, regularize paddy boundaries, and consolidate plots of the same owner. Such construction is not a vehicle for land tenure reform as such or for consolidating the holdings of several different farmers.

The diversion of riceland to projects which may later bring the same land back into rice is at least outwardly consistent with the Government's longrun policy of concentrating production in high-productivity operations. Of the 102,000 acres diverted to improvement projects, 72,000 were located in regions where—according to the *Guideposts*—the Government is planning to concentrate rice output by 1977.

Although only 11 percent of Japan's 1969 rice acreage was diverted in 1970, 54 percent of the nation's farmers participated by diverting some of their paddy land. Thus, acreage reduction was much more widespread than measured by area alone. The program touched most of Japan's farmers in some way, even if only by causing many to reject participation.

Even though the Japanese Government may induce its farmers to remove more rice acreage from production, success in balancing rice supply and demand is not assured. Farmers may continue to apply new technology vigorously, and crop yields may continue their strong advance. Thus, acreage diversion could be only a halfway measure toward controlling rice production.

Trade potential stressed

U.S. Poultry Exports Help Build New Foreign Demand

The success story of the American broiler industry is well known around the world. In many countries, this has brought the development of industries using similar methods—and this, according to an old expression, is “the sincerest form of flattery.”

Where these industries have developed along the lines of natural economic advantage, we can of course have no complaint. In those areas where we have lost markets for eviscerated broilers due to government trade protectionism, we find this loss harder to accept.

In each of the last 2 years, the United States has exported poultry meat valued at about \$43 million. This is about half what it was at the peak time in 1962. Yet it is a substantial figure, far above the levels we were exporting before 1960.

Opportunities still exist in the marketing of U.S. broiler meat overseas, even recognizing that the international trade system is less than perfect and that there are many problems. Poultry meat, like other meats, is particularly susceptible to restrictions—and it is often the subject of a nation's desire to become self-sufficient.

Nearly every nation has a poultry industry, and a developing nation is inclined to look to this indigenous industry as the basis for a modern poultry meat technology. This should not mean, however, that imports are ruled out. And it should not cause

the U.S. industry to be pessimistic about its role in such a market.

In country after country, our product has been a factor in developing a market for broilers—to the benefit of both the importing country and U.S. agriculture. Local diets are improved in variety and quality, from the addition of this fine food. Economic development takes another step forward. And the world market for feedstuffs is further expanded—a trend that is certainly beneficial to the United States.

I believe that any country that closes its market to imported poultry meat—in order to aid a developing poultry industry at home—is making a serious mistake. And it is apt to be disappointed with the results. Locally produced poultry is likely to move through old distribution channels that may be inefficient—to a consumer market that may be extremely limited.

This is where U.S. products can perform a real function. Whatever the state of development in a country, it is likely to have a market for imported products—though this market may be modest in size. This is the hotel and restaurant market in the larger cities—the market catering to higher income people and to tourists. U.S. frozen poultry brought into this “luxury” trade serves to introduce the product—yet it is not really in competition with local production marketed as unfrozen product through traditional channels.

Then, as the consumer market for these products is broadened—and new marketing and distribution channels are developed—the importer can introduce new and more sophisticated

Excerpted from statement issued by Assistant Secretary of Agriculture Clarence D. Palmby at a meeting of the National Broiler Council, Washington, D.C., October 5, 1971.

products. In the beginning, the market may be for U.S. whole eviscerated birds. As the market develops, it may include parts, rolls, roasts, and other further-processed and convenience items. The general expansion in poultry consumption should benefit both the home industry and the U.S. exporter.

This is what has happened in Japan. Until 10 years ago, exports of U.S. frozen eviscerated poultry to Japan were practically zero. Japan's entire production was 164 million pounds. Per capita consumption was well below one pound.

Then the United States began to promote its poultry products. In 1963, a group of 24 U.S. poultry exporters attended a show in our Tokyo Center. And in 1965, that country imported over 11 million pounds of frozen poultry from the United States. Japanese trade groups have joined enthusiastically in such promotion efforts.

Our exports to Japan continued to grow, reaching 13.1 million pounds in 1969. They were down somewhat in 1970 because of low prices in Japan. But during the first 7 months of this calendar year, U.S. exports were already up to 8.8 million pounds—a doubling from the preceding year.

How has this expansion in U.S. exports affected the poultry industry in Japan? The fact is that the introduction of U.S. poultry to the Japanese market has helped greatly to expand that market.

Japan's poultry meat production increased from 164 million pounds to 1.1 billion between 1960 and 1970. Broiler production expanded even more spectacularly—from 38.5 million pounds to 966 million. Per capita consumption of poultry meat rose from less than a pound to more than 8. So all have benefited—the Japanese consumer, the Japanese producer, the U.S. poultry industry.

Moreover, we believe that there will continue to be a market in Japan for the U.S. product. The long exposure to U.S. brands should result in a residual demand among Japanese consumers—whatever developments occur there in production and processing.

Japan, even with its magnificent

achievement in economic growth, still remains far below the United States in per capita use of livestock and poultry products, and this is true of most countries. The average American consumed 50 pounds of poultry meat in 1970—an increase of 16 pounds in 10 years. And most of this increase was in broilers. So if other countries have a comparable consumption potential, the opportunity for trade in poultry products and feedstuffs is great indeed.

The United States has a natural economic advantage in the production of many farm commodities. Our agriculture thus has much to gain or lose in the great economic events that presently dominate the news.

In recent times, agricultural trade has been one of the few positive factors in the U.S. trade balance. But in the past few months, even a sizable favorable balance in our farm trade has not been enough to keep our overall trade balance from falling sharply into deficit.

More than anything else, it has been this fact—a sharply worsening trade balance—that triggered the President's New Economic Policy. This new policy is a courageous and imaginative effort to make the U.S. economy more competitive in the world, by curbing inflation, increasing employment, and eliminating some of the inequities that put us at a disadvantage in world trade.

These problems have been growing, despite this country's best efforts to correct them. Therefore, the President has set our country on a new international course—with the gold float and the import surcharge. If the result is a more equitable alignment among the world's currencies, U.S. agriculture has a great deal to gain. If the result includes reforms in the international trading system—moving the world away from the growing protectionism of recent years—the benefits to agriculture will be far-reaching indeed.

Not only do our economy and our agriculture have much to gain, so do all nations stand to profit from a more realistic balance in currency relationships and a more open trading world—where the efficient are permitted to produce and to trade.

Record World Supplies of Poultry Meat Spur Market Competition

By CLINE J. WARREN
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A new high in world output of poultry meat appears to be in the making for 1971. Most main importing and exporting countries anticipate record production, and the forecast for 16 major producing countries¹ totals approximately 22 billion pounds (ready-to-cook basis), compared with the previous 19.5-billion high in 1970.

In addition, stocks on hand at mid-year 1971 were generally well above those for the same time in 1970. The only exception was Denmark, where sizable exports earlier in the year to untraditional markets such as the USSR, the Arab Republic of Egypt, and Chile helped curtail existing stocks.

This greater world production, coupled with large carryover stocks, would suggest even keener price competition on international markets in the immediate future. International prices, particularly for whole broilers, remain low as increasing supplies are exported with benefit of subsidies.

If the 22-billion-pound level is

¹The United States, Belgium, Luxembourg, France, West Germany, Italy, the Netherlands, Austria, Denmark, Greece, Spain, Switzerland, Poland, the United Kingdom, Canada, and Japan.

achieved, it would be an increase of almost 13 percent. Such a rate would be substantially above the 1970 increase of 10.6 percent and nearly double the 6.7-percent average for 1965-69.

In the **United States**, total 1971 poultry meat production is expected to be well above the 1970 level of 10.2 billion pounds. Broiler meat output through July, as indicated by movements through Federally inspected slaughter plants, was up 15.5 percent over that for the same period of 1970. Fourth-quarter broiler output may total somewhat more than in 1970, since about 5 percent more broiler-type eggs were set in late August and early September.

Turkey meat output in Federally inspected plants during January-July totaled 540 million pounds, nearly a fourth more than in the same months of 1970. Not only more but heavier turkeys were marketed.

Indications are that turkey meat output during the peak period September-December (which typically supplies nearly 60 percent of annual output) will probably fall 3 percent below 1970. But for the year, output is likely to show a net gain of 3 to 4 percent.

Stocks of all U.S. poultry meat September 1 totaled 460.8 million pounds, up 9 percent from 1970.

Current information suggests that total poultry meat production in the **European Community** will approach 4.9 billion pounds. This represents an increase of only 7 percent, compared with an average increase of almost 10 percent for the preceding 5 years.

The slowdown in expansion is probably associated with the continued downward trend in producer prices for poultry and with competition for the EC housewife's purse from larger supplies of pork in Western Europe.

In **France**, current data are inadequate to give an indication of total poultry meat output and stocks for 1971. But France's sixth 5-year plan calls for an annual increase of 5 percent. Should such an increase be obtained in 1971 over the 1970 output of 1.7 billion pounds, there will be slightly more poultry meat available for export than the 62 million pounds of 1970.

In **West Germany**, total poultry production in 1971 will probably exceed the 1970 level of 573.2 million pounds by about 6 percent—less than half the rate of expansion for 1970.

This slower rate is due to smaller increases in output of broilers and stewers.

The German broiler industry, it is reported, made a voluntary effort to keep expansion from exceeding the expected increase in consumption.

Turkey production is expected to surpass 26.5 million pounds, compared with about 22 million for 1970.

West Germany is likely to import more slaughtered poultry than the 527.8 million pounds of 1970; at midyear, imports were up 12 percent over those for the same period a year earlier.

In **Italy**, the 1971 outlook is for production increases probably near the average for recent years, 5.5 percent for broilers and over 10 for turkeys. Broiler production in 1970 was reported at 919.3 million pounds; turkey production, at 103.6 million.

In the **Netherlands**, poultry output for 1971 is now forecast at 10.4 percent above the 680 million pounds produced in 1970. Broiler production will probably be up 12.5 percent to 640 million. Turkey production is expected to exceed 35 million, up 29 percent.

It follows that the Netherlands will have increased supplies of poultry meat for export. During the first 6 months of this year, exports totaled more than 250 million pounds—up 10 percent from the same period in 1970. West Germany received 83 percent of these exports and the USSR 11 percent.

Stocks of all poultry on hand as of July 1 were estimated at 55 million pounds—almost 7.5 percent of the projected poultry meat output for 1971.

In the **United Kingdom**, poultry meat production during the U.K. poultry year (June-May) was estimated at 1.3 billion pounds, 4 percent over that for the previous year. A slight reduction was reported for turkeys, but an increase of 4 percent for broilers.

Greater protection of the domestic poultry industry, through a system of minimum import prices, is likely to make for increased output in 1971-72. The poultry MIP went into effect October 1, 1971. At that time also, the embargo on imports from countries using the live Newcastle disease vaccine was lifted, provided that special health certifications are made.

Stocks on July 30, 1971, totaled 23.5 million pounds, up almost 40 percent from a year earlier.

In **Canada**, it now appears that lower broiler production—630 million pounds, nearly 5 percent less than in 1970—will pull total poultry meat output down about 2 percent from the 1970 record



Buying chickens in French market. The Government, through the 5-year plan passed this June, is encouraging annual increases in French poultry output.

to 964 million. Turkey production, however, is forecast at 236 million, nearly 5 percent over 1970. Only Canada, of the 16 countries, anticipates a decline in poultry output.

Canadian stocks on July 1, 1971, reached a total of 57.3 million pounds—34 percent more than the year before. Of this, broilers accounted for 35 percent and turkeys for 48 percent.

In **Japan**, the outlook for 1971 is that total poultry output will be up 10 percent from the 1971 level of 1,074 million pounds. Broiler production (three-fourths of the total) will probably register a 13-percent gain.

However, a slowdown in placement of broiler chicks, coupled with stronger domestic prices, could result in imports of more than 50 million pounds for all poultry meat during 1971, or slightly more than double the quantity imported in 1970. During the first 8 months of this year Japanese poultry meat imports totaled 30.4 million pounds.

Noncotton Textile Quotas For Far Eastern Suppliers

Memorandums of Understanding have been signed with Japan, Hong Kong, Taiwan, and Korea to limit their exports of manmade fiber and wool textiles to the United States, effective October 1, 1971. It is expected these understandings will be followed with bilateral agreements that spell out detailed provisions for exports of these textile items from the four countries to the United States.

The agreements culminate 2½ years of effort by the Administration to obtain limitations on wool and manmade fiber textile imports. They remove the threat of unilateral action by the United States, and the risk of confrontation and retaliation that might have followed such an action.

The Japanese Government signed the memorandum over strong opposition from the Japanese textile industry, which had undertaken less restrictive voluntary industry controls on July 1 of this year. The Government spokesman justified the action as the "only way of solution under given circumstances, when we consider influences of unilateral import restrictions of the U.S. which would otherwise have been started."

The Hong Kong Government had also undertaken voluntary controls prior to October 1, 1971. However, neither voluntary arrangement was acceptable to the U.S. Government.

While the detailed terms of the bilateral agreements are still being hammered out, the broad outlines of the memorandums have been released by the White House. The aggregate levels are based upon trade in the 12-month period ending March 31, 1971.

The arrangement with Japan is for 3 years, and provides consultations for extension beyond that period; it permits an annual growth rate of 5 percent for manmade fiber textiles.

Arrangements with the other three countries are for 5 years and permit growth rates for manmade fiber textiles in each averaging 7½ percent annually. These rates are in excess of U.S. market growth rates but are considerably less than recent import growth rates. The growth rate for wool textile imports in all four memorandums is limited a

Secretary of Agriculture Clifford M. Hardin recently praised the understandings reached with the Governments of Japan, South Korea, Taiwan, and Hong Kong to limit the export of wool and manmade fiber textiles to the United States.

Mr. Hardin said that he was especially pleased that it was possible to arrive at a solution to this problem through voluntary arrangements with the countries concerned. The Secretary stated, "Because we settled our problems on this basis, threats of retaliation that might adversely affect agriculture are minimized. These four countries represent a market for American agriculture totaling just under \$1.8 billion a year, and we have been concerned that this trade might be damaged should we not arrive at a solution through negotiated settlement."

In his statement, Mr. Hardin congratulated negotiators for both sides for their patience and perseverance in solving this difficult problem.

maximum of 1 percent annually.

Specific ceilings are established on selected categories for each country; category selections were made on the impact of market penetration. Although category coverage of bilateral agreements is not yet available, market penetration of more than 50 percent had been recorded for manmade fiber knit blouses, sweaters, women's knit slacks, women's coats, knit sport shirts, and knit and woven dress shirts.

More than half of domestic consumption also came from imports of wool woven slacks for women, knit blouses, knit sport shirts, sweaters, and worsted fabrics. Specific ceilings will probably be placed on products where the market penetration has been most severe. The items covered may vary from country to country.

The import surcharge has been of considerable concern to countries exporting manmade fiber and wool textiles to the United States. Cotton textile imports were free of the charge because they were under quota limitations. As a consequence of the agreements with these four countries, whose exports constitute about 57 percent of all manmade fiber textile imports and 50 percent of all wool textile imports into the United States, the surcharge will eventually be removed on imports of these textiles from all supplying countries.

In the announcement of the Memorandums of Understanding to limit imports, the White House stresses the importance of the textile industry to the U.S. economy, to the workforce, and to the related industries, such as cotton growers and wool growers, who depend on the industry for sale of their products. Moreover, the balance of trade deficit in textiles is expected to exceed \$2.1 billion in 1971, the largest of any major industry.

Administration spokesmen indicated that the ultimate solution to worldwide textile problems is expected to be the negotiation of an international all-fiber agreement.

Total imports of cotton, manmade fiber, and wool textiles were the equivalent of 5.5 billion square yards in the 12-month period ending August 1971. Wool textile imports, although declining since 1968, have captured over 28 percent of the U.S. market. Manmade fiber textile imports are now 10 percent of the domestic market, compared with less than 2 percent in 1964. Imports of manmade fiber textiles in 1970 were 54 percent above 1969, and imports in the first 8 months of 1971 were 66 percent higher than the same period last year.

Measured in yardage, imports of manmade fiber textiles are now about 2½ times those of cotton textiles, which are controlled under the Long Term Arrangement for International Trade in Cotton Textiles (LTA) and have shown a downward trend since 1966.

The new agreement should assist cotton sales abroad. Controls on cotton textile imports since 1961 resulted in considerable diversion by exporters in the major Far Eastern textile-exporting countries to manmade fiber textile imports which were quota free.

In addition, under the U.S. tariff system, textiles are classified according to fiber of chief value, so that even though textile products may have contained as

much as 50 percent or more cotton by weight, if the manmade fiber component were of greater value than the cotton component, the product would be classified as a manmade fiber textile.

Now, with both manmade fiber textiles and cotton textiles under quota restrictions, there will be no incentive for exporters in Japan, Hong Kong, Taiwan, and Korea to shift to manmade fibers or to fiber blends in order to avoid cotton textile quotas.

Denmark's New Surcharge on Imports Will Affect Some U.S. Farm Sales

Denmark's new temporary surcharge, aimed at improving its balance of payments deficit, is expected to affect U.S. exports of fruits and vegetables and some other minor items valued at \$11 million.

The surcharge, which was introduced by Denmark effective October 21, 1971, will be 10 percent from October 21, 1971, through June 30, 1972; 7 percent from July 1, 1972, through December 31, 1972; and 4 percent from January 1, 1973, through March 31, 1973.

Total revenue during the effective period is estimated at about \$275 million, of which about \$963,000 will be swallowed up in surcharge administrative costs. Further, because it will be reflected in Denmark's wage regulation index, the surcharge is expected to be inflationary.

The major U.S. agricultural items affected are raisins, with an import value in 1970 of nearly \$1.7 million; prunes, valued at \$1.6 million; fresh citrus fruits, \$1.1 million; fresh nuts (mainly almonds and walnuts), \$1.2 million; citrus juices, \$798,000; canned fruits (mostly peaches, fruit cocktail, and pineapple), \$914,000; pulses (mainly split peas), \$260,000; vegetables (mostly frozen peas and canned asparagus), \$930,000; and potato flour, meal, and flakes, \$266,000.

Although not classified as an agricultural commodity, plywood, with a 1970 import value of nearly \$3.7 million also will be subject to the surcharge.

Imports of U.S. fruits and vegetables in 1971 have been showing a decline of about 20 percent from last year. This will lessen the overall impact of the surcharge, since U.S. farm products not subject to the surcharge are doing well in the Danish market.

New EC Textile Labeling Standards Should Simplify Buying and Aid Cotton Sales

New regulations to standardize textile labeling within the European Community are expected to beef up EC cotton usage and aid consumers to purchase efficiently. The new rules will also make trade in textiles between Common Market countries easier by eliminating some of the confusion resulting from a wide

variety of national textile labeling practices now in use.

Scheduled to go into effect in early 1973, the regulations call for creation of uniform EC nomenclature, standards, and requirements for labeling. Approved by the EC Council of Ministers July 26, 1971, the new standards will harmonize country rules concerning labeling of textile products, particularly with respect to fiber content.

For the first time in some EC countries, no textile product offered for sale may be designated "100 percent," "all," or "pure" unless it is composed entirely of one fiber. Textile products with one fiber making up at least 85 percent of total weight may indicate the appropriate percentage of the fiber as "85-percent minimum."

Labels on products that are of two or more fibers, in which neither is 85 percent of total weight, must show the fibers by their percentages of total weight of the fabric.

Compulsory textile fiber designations are defined in an annex incorporated in the EC directive.

It is expected that national regulations now in effect will be harmonized with Community requirements within 2 years. The EC regulations will not apply to textile products for export to non-EC countries, and will not be in effect under other specified conditions, such as in-transit shipments, for example.

Uniform textile labeling by the European Community has been considered an important goal by those in the cotton trade because of cotton's reputation as a fiber that can be boiled, a normal laundry practice in some parts of the Common Market.

In the past, it has been possible for textile manufacturers in some countries to mix rayon with cotton as a cost reducing device, and still label the fabric "pure cotton." These adulterated products labeled "pure cotton" react badly to this severe laundry treatment. Hence, it is to the advantage of most cotton textile manufacturers that the term "pure cotton" means just that.

Common fiber terminology and labeling practices required by this directive should benefit textile buyers at all levels of the market by eliminating conflicts among national regulations.

Commodities already in transit on the effective date of the legislation may be exempted from the surcharge by the Danish customs authorities and reimbursement may be claimed on reexport.

Exemptions from the surcharge, totaling about 45 percent of Denmark's imports, have been granted for raw materials for agriculture and industry, some nonprocessed food items and some semi-manufactured commodities.

Major exempted items of interest to U.S. exporters are oilseeds, mainly soybeans; grain and some grain products; oilcakes and prepared feeds; unmanufactured tobacco; raw hides and skins (minor interest); raw cotton, cotton linters, and cotton waste; and fresh and chilled vegetables.

Agricultural imports of prime interest to the United States will not be greatly affected by the surcharge. However, some items on which market development funds are being expended or planned will become more expensive to Danish consumers. These include canned cling peaches and fruit cocktail, raisins, fresh citrus fruits and citrus juices, and cooked turkey products.

Other U.S. commodities which have shown good growth in recent years and which will be subject to the surcharge are almonds, walnuts, and split peas. Exporters of these should follow price developments in the Danish market during the period of the surcharge, because there is a possibility that some exporting countries may be willing to absorb the cost of the surcharge by decreasing export prices. This would, of course, reduce the competitive position of the United States.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 3	Change from		A year ago
		previous week		
	<i>Dol.</i>	<i>Cents</i>		<i>Dol.</i>
	<i>per bu.</i>	<i>per bu.</i>		<i>per bu.</i>
Wheat:				
Canadian No. 1 CWRS-14...	1.98	+1		12.13
USSR SKS-14	(²)	(²)		(²)
Australian FAQ	1.66	0		1.88
U.S. No. 2 Dark Northern				
Spring:				
14 percent	1.89	+1		2.13
15 percent	(²)	(²)		2.17
U.S. No. 2 Hard Winter:				
13.5 percent	1.81	+2		2.00
No. 3 Hard Amber Durum..	1.81	+1		2.01
Argentine	(²)	(²)		(²)
U.S. No. 2 Soft Red Winter..	1.79	(²)		1.90
Feedgrains:				
U.S. No. 3 Yellow corn	1.39	+1		1.77
Argentine Plate corn	1.51	-5		1.92
U.S. No. 2 sorghum	1.40	+5		1.70
Argentine-Granifero sorghum	1.40	+4		1.71
U.S. No. 3 Feed barley	1.18	+13		1.45
Soybeans:				
U.S. No. 2 Yellow	3.38	-8		3.36
EC import levies:				
Wheat ³	⁵ 1.57	+3		1.29
Corn ⁴	⁵ 1.08	+5		.74
Sorghum ⁴	⁵ 1.05	0		.64

¹ Manitoba No. 2. ² Not quoted. ³ Durum has a separate levy.
⁴ Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. ⁵ Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries.
 Note: Basis—30- to 60-day delivery.

EC Reduces Estimate Of Grain CAP Costs

The European Community has reduced the cost estimate for the calendar 1972 grain CAP (Common Agricultural Policy) to \$891 million compared with a previous estimate of \$927 million. The reason for the reduction was a lower estimate of the costs of export restitutions. The estimate of these has been revised downward from \$574 million to \$611 million.

Thailand's Rice Exports Reach Previous High

Thai rice exports are estimated to reach 1.5 million metric tons in 1971 compared with 1970 exports of nearly 1.0 million metric tons. This would be the highest export level that

Thailand farmers have achieved since 1966.

Shipments during the first 9 months of 1971 totaled 1.07 million metric tons compared with 857,583 tons exported during the same period a year ago. The outlook is for continued heavy export flow during coming months, since 190,000 tons already committed under government-to-government agreements must be shipped by December.

France Expects Growth In Corn Production

The twenty-second French Corn Producers Conference estimated recently that by 1975 the French corn crop will reach 11.0 million tons. This compares with this year's estimate of 7.6 million tons, 3.4 million tons in 1965, and the 1960-64 average of 2.6 million tons.

The Conference report also said that European Community corn production may reach 20 million tons by 1975, up from 13 million in 1971. Present annual EC corn consumption is about 19 million tons.

U.K. Wheat Production And Yield Increase

The United Kingdom has revised its estimate of 1971 wheat production upward to 4.7 million tons, to reflect a 4-percent increase in yield above the estimate made in September. The increased yield is the result of dry warm harvest weather during September. The barley crop is estimated at 8.5 million tons—15 percent larger than the 1970 crop.

Argentine Corn Area Down, As Sorghum Area Increases

The Argentine Government has officially estimated that the area planted to corn in 1971-72 will reach about 12 million acres, 3 percent less than last year. However, the area planted to sorghum is expected to expand 4.1 percent to about 8 million acres. These estimates have been based upon farmers' intentions to seed.

Some of the reasons given for the decline in corn area are the recent decline in corn prices, large stocks, and excessive moisture at seeding time.

COTTON

Poland and Yugoslavia Use Less U.S. Wheat

U.S. cotton exports to Poland and Yugoslavia have suffered sharp reductions during the past 2 crop years, 1969-70 and 1970-71 (August-July). Annual Polish imports of U.S. cotton averaged almost 75,000 bales (480 lb. net) during 1965-69,

but no U.S. cotton was imported in 1970-71. Yugoslavia, which imported an average of almost 90,000 bales of U.S. cotton annually during the same 5-year period, imported no cotton from the United States in 1969-70 and only 2,000 bales in 1970-71.

A record Soviet cotton crop in 1970-71, relatively high U.S. cotton prices, balance-of-payments difficulties in Yugoslavia, and a shortage of Western currencies in Poland contributed to the reduction.

Total cotton imports into Poland and Yugoslavia rose substantially in 1970-71, however. Poland imported an additional 317,000 bales above the 1969-70 level in order to meet a record consumption of 700,000 bales—70,000 bales above the previous year. Yugoslav imports of cotton rose by almost 55 percent in 1970-71 to approximately 435,000 bales.

For both countries, much of the increase was met by imports from the Soviet Union. Yugoslavia imported at least 25,000 more bales and Poland about 230,000 more bales from the Soviet Union in 1970-71 than in the previous year. Polish imports from Egypt, Iran, Pakistan, Sudan, and Turkey also showed marked increases over the 1969-70 season. August-June data indicate that Yugoslav imports from Iran, Pakistan, Syria, Tanzania, and Uganda also rose in 1970-71.

U.S. cotton exports to Poland initially decreased with the end of P.L. 480 Title I sales in the mid-1960's, but a large portion of the sales was replaced with sales under the Commodity Credit Corporation credit program. It is estimated that Poland could import about 55,000 bales from the United States in 1971-72, provided the desired qualities are available at competitive prices. Another bumper Soviet crop or continued shortage of foreign exchange, however, could limit U.S. sales once more.

Yugoslavia's ability to purchase U.S. cotton is limited by a vulnerable balance-of-payments situation. Yugoslavia is presently reported to favor bilateral cotton import arrangements which include provisions for the export of Yugoslav cotton textiles. Sales of U.S. cotton under the barter program might also be a means of increasing U.S. exports in the future, if adequate supplies are available.

LIVESTOCK AND MEAT PRODUCTS

New Zealand Lamb Prices Reduced by 50 Percent

New Zealand freezing companies have set the opening price for this season's best quality lamb (prime, 29-36 lb. dressed weight) at 11 U.S. cents per pound dressed for the South Island and 11.9 cents per pound for the North Island. Last season the opening price was 22.4 cents per pound. The New Zealand producer receives additional payments for pelt and wool.

The reasons given by the freezing works for the low lamb prices are: Increased processing charges; the U.K. levy of 1 U.S. cent per pound, which will be increased to 2 U.S. cents per pound on January 1, 1972; and an increase of up to 40 percent in freight rates to the United Kingdom.

Prior to the opening price announcement, the New Zealand Meat Board had threatened to take over the marketing of lambs if the freezing companies offered a schedule price of less than about 16.8 U.S. cents per pound. The Meat Board indicated that it was prepared to use the Meat Industry Re-

serve account (approximately \$112 million) to support the price at 16.8 cents. The Government has sided with the Meat Board on this issue and has indicated that legislation would be introduced into Parliament to allow the Meat Board to acquire the lambs for export to the British market.

The United Kingdom is the largest export market for New Zealand lamb. In 1970 the United Kingdom imported 611 million pounds of lamb from New Zealand, about 75 percent of New Zealand's lamb production that year. The United States is only a small market for New Zealand lamb. In 1970 U.S. imports of New Zealand lamb totaled only 22 million pounds—about 50 percent of total U.S. lamb imports.

FRUITS, NUTS, AND VEGETABLES

Pistachio Crops Down In Turkey and Iran

Because of the cyclical nature of the pistachio, crops in both Turkey and Iran in 1971 are expected to be considerably below production in 1970.

Turkey's 1970 pistachio crop is now placed at 13,000 short tons (in-shell basis), 1,000 tons below previous estimates. Although official estimates of the 1971 harvest are not yet available, trade sources put production at only 2,000 tons for this cyclical crop.

Exports during the 1970-71 season are placed at 7,500 tons (in-shell basis) compared with 1,146 tons during the 1969-70 season. Shipments during the first 10 months of the 1970-71 season (September-July) totaled 7,329 tons. However, aflatoxin has been found in several shipments, and exports during the last 2 months of the season are expected to fall off sharply.

At the request of the Turkish Government, a three member team from the U.S. Food and Drug Administration was sent to Turkey to advise on procedures to be followed in establishing an aflatoxin control system.

Iran's 1971 pistachio harvest is estimated at 8,250 short tons (in-shell basis), compared to 17,500 tons last season. 1971 is considered an off-year following last year's large harvest. Exports during the 1970-71 season are projected to reach 11,000 tons, compared with the 9,297 tons shipped during 1969-70.

Walnut Crops in France, India, Turkey, and Italy

Walnut production in three major producing countries—France, Turkey, and India—declined in 1971. Italy experienced a slight increase, but quality and size are reported to be below normal.

France's 1971 commercial walnut crop is placed at 24,000 short tons (in-shell basis), 20 percent below the large 1970 harvest. Anthracnosis infestation in the Grenoble region and a severe storm in the Bordeaux area in early August are responsible for this reduction.

This storm reportedly destroyed 20,000 walnut trees: 15,000 in the Department of Dordogne and 5,000 in Lot and Corrèze. Exports during the 1970-71 season are placed at 14,500 short tons (in-shell basis), slightly above the 14,152 tons shipped during the 1969-70 marketing year.

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FOREIGN AGRICULTURE

India's 1971 commercial walnut crop is estimated at 12,000 short tons (in-shell basis), 23 percent below last year's 15,500-ton harvest. Light snowfall and the resultant water shortage in the primary producing regions are cited as factors leading to the decreased output.

Exports during the 1970-71 season are expected to total 5,500 tons, compared with 4,920 tons last season (1969-70) and a 1960-64 average of 11,200 tons. Previously, up to 60 percent of the available supplies were exported. However, in recent years this trade pattern appears to have been reversed with 1970-71 season exports expected to total less than 40 percent of available supplies. Expanding world production and increased domestic consumption have both contributed to the lowered export figures.

The 1971 Turkish walnut crop is placed at 9,000 short tons (in-shell basis), 2,000 tons below last season. Exports for the first 10 months of the 1970-71 season (September-June) totaled 5,066 tons, against 5,916 tons for the comparable period last season. Final 1970-71 season shipments are projected at 5,500 tons.

Italy's 1971 commercial walnut crop is expected to reach 23,000 short tons (in-shell basis), slightly above last season's 22,000-ton harvest. Both quality and size are reported to be below average following an extremely hot and dry summer and heavy insect infestation.

Exports during the 1970-71 season are placed at 7,500 tons, just below the 1969-70 level of 7,645 tons. West Germany is Italy's primary export market, followed by the United Kingdom and South Africa. Current prices are equal to or slightly below those of a year ago. Sorrento in-shell (26-28 millimeters) are quoted at 29-32 cents per pound f.o.b. Naples, with larger sizes quoted as high as 36 cents per pound.

SUGAR AND TROPICAL PRODUCTS

Rust Found in Brazil's Major Coffee Areas

With the discovery in early October of the coffee rust fungus, *Hemileia vastatrix*, in Brazil's State of Paraná, the coffee rust has now been observed in every major coffee-producing

State of Brazil. The rust was first discovered in Brazil in the State of Bahia in January 1970.

The Brazilian Coffee Institute (IBC) views coffee rust as a permanent problem and is continuing to assist in its control through the financing of research and technical aid. The President of the IBC has stated that the arsenal of equipment and technology now available will enable IBC to guarantee coffee growers a satisfactory economic return. He also said that coffee production is a vital item in Brazil's economy, and that the coffee grower can be assured that the Government will continue to give maximum consideration to the production of coffee.

The IBC has five airstrips located in major coffee-producing areas and expects to use airplanes to spray chemicals against the rust. If a grower sprays four times a year to control the rust, the cost involved could well amount to 25 percent or more of his returns. However, at present domestic Brazilian coffee prices, the average coffee grower should be able to afford the added spraying costs.

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